

Message Text

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ORIGIN AF-06

INFO OCT-01 EUR-12 ISO-00 XMB-02 EB-07 AID-05 COME-00

OMB-01 CIAE-00 INR-07 NSAE-00 /041 R

DRAFTED BY AF/C:MFGALLAGHER:GJB

APPROVED BY AF:EWMULCAHY

AF/C:TRBUCHANAN

EB/IFD/ODF:FTHOMAS (DRAFT)

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P 111531Z FEB 76

FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA PRIORITY

INFO AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY PARIS

C O N F I D E N T I A L STATE 033505

E.O. 11652: GDS

TAGS: EGEN, CG, EINV

SUBJECT: INGA-SHABA EHVDC TRANSMISSION LINE

REF: STATE 026609 (NOTAL)

1. MORRISON-KNUDSEN OFFICIALS MET WITH DEPUTY ASSISTANT SECRETARY MULCAHY FOLLOWING THEIR MEETING WITH EXIM. CONVERSATION WAS SIMILAR TO ONE REPORTED IN REFTEL.

2. DEPARTMENT WOULD LIKE TO EMPHASIZE THE NECESSITY OF COMPLYING WITH EXIM'S REQUESTS IN PARA 2 OF REFTEL AS SOON AS POSSIBLE. M-K OFFICIALS TOLD AMBASSADOR MULCAHY THAT JUNE 1 DEADLINE WAS ABSOLUTE LATEST TO WHICH M-K COULD HOLD OUT UNDER PRESENT FINANCIAL CONDITIONS, AND THAT IF A WRITTEN COMMITMENT WAS NOT SIGNED WELL IN ADVANCE OF THAT DATE, M-K WOULD CONSIDER CEASING ALL OPERATIONS.

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3. THE CRUX OF M-K'S PROBLEM IS THAT M-K GAVE ITS OWN

CORPORATE GUARANTEE TO MANUFACTURERS OF DOLS 22 MILLION OF EQUIPMENT DESCRIBED IN PARA 1 OF REFTEL. M-K AUDITORS ARE NOW PROPOSING THAT THIS LIABILITY BE MADE A FOOTNOTE TO 1976 M-K ANNUAL REPORT. M-K FEARS THAT

MANUFACTURERS MAY EXERCISE THAT GUARANTEE. M-K BOARD IS BECOMING INCREASINGLY DISENCHANTED WITH MANAGEMENT FOR RECOMMENDING THAT GUARANTEE BE GIVEN, AND MIGHT FORCE MANAGEMENT TO CEASE ALL M-K OPERATIONS ON THE LINE UNTIL THE FINANCING PACKAGE IS COMPLETE. (FYI. NO TIME FRAME WAS MENTIONED BUT SUCH A DECISION MIGHT BE MADE BY APRIL IF M-K DOES NOT RECEIVE FIRM FINANCING COMMITMENT. END FYI.)

4. M-K OFFICIALS WOULD LIKE TO OBTAIN AN INTERIM GUARANTEE FROM SOME RELIABLE THIRD PARTY (OPIC, AID, EXIM, PRIVATE BANK) TO COVER DOLS 22 MILLION LIABILITY IF COST OVERRUN FINANCING IS NOT FINISHED BY JUNE 1. PRELIMINARY DISCUSSION WITH EXIM AT WORKING LEVEL WAS NOT ENCOURAGING ON THIS SUBJECT, BUT DEPARTMENT PLANS TO PURSUE THIS QUESTION FURTHER WITH EXIM AND OTHER APPROPRIATE AGENCIES.

5. HOWEVER, THE BEST SOLUTION IS A QUICK EXIM APPROVAL OF COST OVERRUN FINANCING. DEPARTMENT ESTIMATES THAT THIS APPROVAL WILL NOT BE FINALIZED UNTIL LATE APRIL OR MAY AT THE EARLIEST. THEREFORE, IT IS IMPERATIVE THAT GOZ AND SNEL BE MADE AWARE OF THE FACT THAT THEY NEED TO BE AS RESPONSIVE AS POSSIBLE TO EXIM'S REQUESTS (PARA 2, REFTEL.) INGERSOLL

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